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AICPA *Washington Report*

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COMMODITY FUTURES TRADING COMMISSION

An announcement for the purpose of clarifying certain provisions and the meaning of certain terms contained in rules adopted by the Commission in January for the regulation of commodity pool operators (CPOs) and commodity trading advisors (CTAs) was published in the 5/2/79 Fed. Reg., pp.25658-59. Included in the announcement is a provision for certification of pool performance occurring after 4/1/79 (the effective date of the rules) by an independent public accountant for the annual report furnished to pool participants. For further information contact Lawrence Eisner at 202/254-8955.

Final rules which add recordkeeping and reporting requirements for futures commission merchants and foreign brokers on positions in omnibus accounts have been issued by the Commission (see the 5/1/79 Fed. Reg., pp.25431-34). These rules will be effective on 8/1/79. Additional information is available from Lamont Reese at 202/254-7446.

COUNCIL ON WAGE AND PRICE STABILITY

The actual rate of inflation is only 6.5%, according to Robert Russell, CWPS Deputy Director, provided food, energy, and interest rates are excluded from the consumer price index. Although these remarks evoked laughter from the delegates attending a meeting of the American Society of Newspaper Editors in New York, Russell continued to insist that the current rate of inflation was not due to the lack of compliance with the Administration's voluntary wage and price guidelines. Citing few examples of probable non-compliance, he instead insisted that inflation is largely due to unanticipated factors, such as the recent severe winter and OPEC price increases. Additionally, Russell focused on increased social security taxes and increased minimum wages. Although Russell's remarks sharply contradict earlier statements of CWPS Chairman Kahn and Director Bosworth, reinforced by a significant expansion of the reporting requirements, this may signal the beginning of an Administration plan to influence future wage and price settlements by insisting that the voluntary guidelines are working. Wage and price policies which threatened to exceed the guidelines could be attacked as irresponsible by the Administration.

In a related matter, CWPS Director Bosworth preferred to identify the annual rate of inflation at 6.7%, excluding food, energy, and housing. Addressing the U.S. Chamber of Commerce's annual meeting, Bosworth defended the recent Teamster settlement as being technically within the voluntary guidelines but then sharply criticized the settlement, accusing the Teamsters of using every available "loophole." Bosworth stated that the voluntary wage and price guidelines were initially intended to reduce inflation by 1% in 1979, and that inflation is not as severe as it might have been without the guidelines.

Presidential standby wage and price control authority is opposed by Chairman of House Banking Committee, Rep. Henry Reuss (D-Wis). Responding to a bill recently introduced by Sen. George McGovern (D-SD), designed to give President Carter standby authority to impose mandatory wage and price control, with 4/26/79 as a base price period, Rep. Reuss remarked that McGovern's bill could fuel inflation by causing businesses and unions to hike prices and wages in anticipation of controls. As a result, Reuss stated emphatically that his Committee would not endorse the concept of standby controls nor hold hearings.

Instructions for preparation of form PM-1, Program Year Report on Prices, Sales, and Profits, issued by the Council on Wage and Price Stability as a part of the voluntary standards for non-inflationary Pay and Price Behavior, are available (see the 5/2/79 Fed. Reg., pp.25800-09). This form will be used by the CWPS as a means of collecting data from companies. The data will be used to determine the extent to which they have complied with the voluntary standards on price deceleration, gross margins, and the profit margin limitation. Companies are requested to file form PM-1 by 5/18/79.

Anyone wishing to receive one free copy of the CWPS reporting form may do so by calling the Washington Office at 202/872-8190, extension 47, prior to 5/16/79 and requesting Document 10-1.

FEDERAL DEPOSIT INSURANCE CORPORATION

Two final rules were published last week by the Corporation (see the 4/30/79 Fed. Reg., pp.25193-97). The first rule makes technical corrections to conform FDIC regulations with the changes made by the Financial Institutions Regulatory and Interest Rate Control Act of 1978. The second adopts requirements for establishing and operating foreign branches and for acquiring and holding ownership interests in foreign entities. For more information on these rules contact Jerry L. Langley (202/389-4237) or Hugh W. Conway (202/389-4349).

FEDERAL HOME LOAN BANK BOARD

Robert H. McKinney, chairman of the FHLBB, said last week he will resign from the post for "strictly personal" reasons. McKinney's resignation was accepted by the President on 5/1/79, "with deep regret". The FHLBB oversees most of the nation's \$400 billion savings and loan industry, insures deposits up to \$40,000 in most S&Ls, and also serves as a lender to thrift institutions that are strapped for funds. McKinney has been instrumental in the introduction of money market certificates, on which high interest rates have helped attract money to Federal S&Ls during periods when they otherwise would have suffered an outflow of funds. McKinney said he is uncertain of exactly when he could leave the board, as he apparently must remain on until at least one more person is nominated and confirmed. The board cannot function without a quorum of two, according to a FHLBB official.

FEDERAL RESERVE BOARD

A proposed rule amending regulations governing foreign bank holding companies was published in the 4/27/79 Fed. Reg., pp.24865-66. This proposal would change the definition of "foreign bank holding companies" to include only those organizations principally engaged in banking outside the U.S. Comments are due by 6/20/79. For more information contact Michael Martinson at 202/452-3621.

GENERAL ACCOUNTING OFFICE

Federal antitrust enforcement is the subject of a current "audit" by the GAO. The investigation is focused on the allocation of resources by the FTC and Justice Department, and is expected to show exactly what types of cases are brought by Federal antitrust enforcers. Coupled with a study of

how such cases are conducted, the GAO's final report, which is scheduled for August, is expected to provide one of the clearest profiles of antitrust enforcement to date. Actions by both enforcement agencies for the three-year period 1976-1978 have been analyzed and assigned to one of six categories: mergers, monopolization, interlocking directorates, horizontal restraints, vertical restraints, and price discrimination. In addition, the study will also be concerned with the quality of management control at the two agencies. This portion of the investigation entailed study of the use of economists, the time spent on each case, management reporting systems, and the kinds of discovery used. According to the GAO, the investigation will go beyond managerial accounting but will not include any attempts at second-guessing the enforcement decisions of the FTC or Justice Department.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

Final regulations issued by the Public Health Service on grants to nursing schools have been published (see the 4/27/79 Fed. Reg., pp.25136-39). The regulations contain requirements for grantee accounting for funds in accordance with "institutional accounting practices, based on GAAP", in addition to inspection and audit requirements. These regulations became effective on 4/27/79. For further information contact Edith Rathbun at 301/436-6684.

A proposed rule issued by the Public Health Service on health professions capitation grants programs appeared in the 4/27/79 Fed. Reg., pp.24889-93. This proposal contains a requirement for recordkeeping, audit, inspection and reporting that is similar to other PHS proposals published recently. Comments on the proposal are due by 6/26/79 and additional information may be obtained by contacting John R. Westcott at 301/436-6564.

INTERSTATE COMMERCE COMMISSION

Notice of a proposed rule issued by the ICC that would revise its accounting regulations for identifying railroad rebuilding expenditures appeared in the 4/30/79 Fed. Reg., pp.25256-57. The objective in revising the rebuilding rule is to provide more realistic guidelines for distinguishing railroad rebuilding expenditures from normal maintenance and repairs. The Commission proposes to revise the rebuilding rule to adopt the criteria required under generally accepted accounting principles (GAAP). The public is invited to comment on this proposed change. For additional information contact Bryan Brown, Jr., at 202/275-7448.

LABOR, DEPARTMENT OF

A proposed rule on loans or other uses of property where an employee benefit plan is involved in the transaction have been issued jointly by DOL and IRS. (see the 4/27/79 Fed. Reg., pp.24876-80). The proposal would clarify when such transactions could take place and how the changes would affect plan participants, beneficiaries and employers. Comments should be directed to DOL by 6/26/79. For more information contact William Flanagan at 202/523-7931.

Legislation (S.532) providing a statutory basis and appropriations for the President's Commission on Pension Policy was passed by the Senate on 4/30/79. Although the Commission was already established by executive

order, this legislation is necessary in order for it to receive appropriations. In addition, the President can only establish a commission for a period of one year. In effect, this legislation will extend the Commission for two years, require Senate approval of any appointment to fill a vacancy in the chairmanship and Senate consultation prior to filling other vacancies which may occur, and provide \$2 million in appropriations for fiscal 1980. The Commission is currently operating on loans from the President's contingency fund and will continue to do so until the appropriation is available, at which time the loans will be repaid.

SECURITIES AND EXCHANGE COMMISSION

Plans for the new Office of Small Business Policy have been announced by the SEC (see Rel. 79-21, 4/27/79). According to Edward F. Greene, Director of the Division of Corporation Finance, the office will be staffed by 8 to 10 professionals, including accountants, attorneys, and financial analysts, under the leadership of Mary E. T. Beach. Dividing its work between rulemaking initiatives and reviewing registration, the office will be responsible for monitoring filings on the new Form S-18, a simplified registration form designed to facilitate first time issue of securities by smaller companies and will work to cut the regulatory burdens imposed by other registration and disclosure requirements.

The proposed statement of management on internal accounting control has been released for comment (see Rel. No. 34-15772, 5/4/79 Fed. Reg., pp.26702-10). The proposal would require a statement of management on internal accounting control be included in Forms 10-K and in annual reports to shareholders. These changes would be adopted in two stages. As of dates after 12/15/79 and before 12/16/80, for which audited balance sheets are required, management would include its opinion as to whether, as of the date of the audited balance sheet, the system of internal control provides reasonable assurances that specified objectives of internal accounting control were achieved. A description of any material weakness in internal controls communicated by the independent accountant also would be included. For periods ending after 12/15/80 for which audited income statements are required, management's statement would note whether the internal control system provided reasonable assurances for such periods. In addition, the statement would be examined and reported on by an independent public accountant for such periods. Comments on these proposals will be accepted until 7/31/79. For more information contact James J. Doyle at 202/472-3782.

TREASURY, DEPARTMENT OF

Legislation designed as a first step in an on-going tax simplification effort has been introduced by the chairmen and ranking minority members of the House Ways and Means and Senate Finance Committees. Two bills have been introduced in each chamber. The first, (S.1062, HR 3900) would make technical changes in subtitle F including a change in the due date for annual gift tax returns from 2/15 and 4/15 and an automatic grant for an extension for filing gift tax returns when an income tax extension is granted. The second bill, (S.1063, HR 3899) would simplify reporting gains from the sale of real estate or casual sales of personal property using the installment method. Among its changes, the bill would eliminate the present 30% sale price limitation but would increase the minimum selling price amount to \$3,000. It is expected hearings will soon be announced in both tax committees on the legislation.

A simplified procedure to save time and paperwork in processing employee benefit plans amended to conform to final regulations under ERISA has been announced (see IR-2124, 4/27/79). Until 6/30/79, the first page of the previously filed application form that resulted in a favorable IRS notification letter, along with the additional material detailed in Rev. Proc. 79-28, may be used to request a determination on the plan's tax qualifications drafted under temporary rules. Plans entitled to the benefits of the Special Reliance Procedure need not even file the first page if the request is made by 6/30/79.

Regulations on the one-time exclusion of gain from the sale of principal residence by an individual age 55 or over were published by the IRS in 4/27/79 Fed. Reg., pp.24837-42. These regulations implement changes made by the Revenue Act of 1978 which allow the one-time relief from tax for the sale of a home. The rules are effective for sales or exchanges after 7/26/79. For more information contact Stephen Small at 202/566-3287.

SPECIAL: GOVERNMENT FRAUD/WASTE ATTACKED FROM THE TOP

Two programs to improve management practices and performance in the Federal government and to "pursue a coordinated anti-fraud and waste campaign" were initiated last week by the President. Under the fraud prevention program, an Executive Group to Combat Fraud and Waste in Government is established. That group, chaired by the Deputy Attorney General of the Justice Department, will be responsible for assuring implementation of the Inspector General Act of 1978, formulation of policy guidelines for inspectors general, promoting audit resource capabilities in the government, and the development of recommendations and necessary legislation to eliminate waste and fraud. The second part of the program entails the establishment of a Presidential Management Improvement Council, to be co-chaired by the Directors of OMB and OPM. The Council will attempt to assure the efficiency of government workers, match salary levels with job performance, and provide a set of long-range rules and guidelines for improving Federal management and program performance.

For additional information call 202/872-8190

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